

**STATEMENT  
OF  
TRACEY A. NICHOLS**

**On Behalf Of**

**The Cuyahoga County Board of County Commissioners**

**TO**

**THE SUBCOMMITTEE ON FEDERALISM AND THE CENSUS**

**OF THE COMMITTEE ON GOVERNMENT REFORM**

**OF THE**

**U.S. HOUSE OF REPRESENTATIVES**

**REGARDING**

**THE OHIO EXPERIENCE: WHAT CAN BE DONE TO SPUR BROWNFIELD  
DEVELOPMENT IN AMERICA'S HEARTLAND?**

**May 16, 2005**

Mr. Chairman and members of the Subcommittee, my name is Tracey A. Nichols. I am the Assistant Director of the Cuyahoga County Department of Development. I have been active in the field of economic development for sixteen years.

Thank you for this opportunity to appear before you today.

## **THE BROWNFIELD EXPERIENCE IN CUYAHOGA COUNTY**

### **COMMUNITY NEED**

Cuyahoga County has the largest population of any Ohio county with over 1.3 million residents. The heart of the county is the City of Cleveland where nearly 500,000 persons reside (U.S. Census, 2000). Cuyahoga County residents and businesses have felt the negative effects of the current recession. The county has lost 63,900 jobs, representing 8.1% of its employment base, between 2000 and 2004. Over 20% of the county's manufacturing jobs have been lost in the past 3 years (Ohio Department of Jobs and Family Services). Cleveland especially has been negatively impacted from the loss of jobs in the area, with 12.1% unemployment. Moreover, the most recent U.S. Census American Community Survey concluded that Cleveland has the highest poverty rate of all the nation's large metropolitan areas. Since 2000, Cleveland's poverty rate rose 7% to an all-time high of 31.3%. Nearly half of the city's children were found to be living in poverty—the highest rate among America's large cities. National attention, especially from the 2004 Vice Presidential debate held in Cleveland and the press, has brought the area's poverty and unemployment issues to the forefront of all economic development activities. In fact, 5,677 people (43%) live in poverty one mile from where the Vice Presidential debate occurred (U.S. Census, 2000).

Table 1. Selected Socioeconomic Characteristics

Characteristics	Cleveland	First Suburbs Communities <sup>3</sup>	Cuyahoga County
<b>Population<sup>1</sup></b>	478,403	449,041	1,393,978
<b>Population Living in Poverty (past year)<sup>2</sup></b>	132,896	32,697	199,757
<b>Percent Living in Poverty (past year)<sup>2</sup></b>	31.3%	7.4%	15.0%
<b>Percent of Children under 18 years Living in Poverty (past year)<sup>2</sup></b>	46.9%	9.3%	21.7%
<b>Population in Labor Force Unemployed<sup>2</sup></b>	33,396	10,029	65,484
<b>Percent in Labor Force Unemployed<sup>2</sup></b>	17.4%	4.2%	9.8%

Sources: 1. U.S. Census, *2000 Census*; 2. U.S. Census, *2003 American Community Survey Tabular Profile* (Sept. 2004); 3. The First Suburbs Communities include Bedford, Bedford Heights, Brook Park, Cleveland Heights, Cuyahoga Heights, Euclid, Fairview Park, Garfield Heights, Lakewood, Maple Heights, Parma, Shaker Heights, South Euclid, University Heights, and Warrensville Heights. U.S. Census, *2000 Census* and Ohio Dept. of Job and Family Services, *Civilian Labor Force Estimates* (Sept. 2004).

The brownfield problem in Cuyahoga County predominantly affects the central city and the adjacent suburbs. The County is focusing assessment projects in the City of Cleveland and the inner-ring suburban communities. As noted above, these same areas are home to the majority of the County's residents living in poverty. The County will continue to concentrate on attracting both for-profit and non-profit developers to brownfields in the City of Cleveland and its inner-ring suburbs. There has been an unprecedented demand for redevelopment in these areas during recent years. Residents will directly benefit from the new assessments and subsequent future developments in their communities, including new job opportunities, better public services, and improvements in public health.

A 1996 U.S. EPA-funded study was completed by the Cleveland State University Great Lakes Environmental Finance Center indicating an estimated 4,623 acres of brownfields in Cuyahoga County with the majority of that land located in the City of

Cleveland and its surrounding first-ring suburbs. Cleveland, alone, has approximately 350 brownfields and between 1,000-2,000 condemned structures. Additionally, Cuyahoga County Planning Commission found that 40,000 acres, or 14%, of the County's land has at some time been devoted to an industry that has historically been known to be a higher risk for environmental contamination. Many of the brownfields that do exist in the County are quite sizable, blighted, obsolete, and have no prospect of redevelopment without public support and intervention because of the environmental and financial risks and liabilities inherent in their redevelopment.

The vacant, underutilized, and abandoned properties negatively impact property values in communities. The loss of property tax revenues reduces Cuyahoga County's local schools districts' ability to educate children, and municipalities' capability to provide basic services like police and fire protection.

Land use statistics generated by the County's Planning Commission reveal that very little undeveloped land remains in the county. Nearly 95% of available land has been developed. There are only two townships remaining in the county, and the one township with developable land is rapidly converting fields into housing. At some point during this decade, the entire county will have been fully developed. That is to say, all land not in parks will have been developed at least once—the only such county in Ohio. If Cuyahoga County is to continue to sustain viable neighborhoods, healthy commercial areas, and employment opportunities for its citizens, it must find the resources to address the environmental issues that accompany land reuse. Clearly, brownfields assessment and cleanup are key components in this endeavor.

## **HISTORY OF CUYAHOGA COUNTY'S BROWNFIELD PROGRAM**

Cuyahoga County convened a Brownfield Working Group in 1993 to investigate best practices around the country and establish a program to address the large number of brownfield sites in Cuyahoga County, a large urban county which includes Cleveland, Ohio. Once the State of Ohio created the Voluntary Action Program, the Working Group determined there was a need to create a fund to help identify, assess and remediate brownfield sites in Cuyahoga County. It was determined early in the process that there was a need for public subsidy of these projects, to assist communities in overcoming the costs of remediation and to attract developers who could make more money funding projects in greenfields.

The Working Group collaborated with a group of local partners including banks, elected officials and foundations. In 1998, a fund was created with the leadership of the Cuyahoga County Board of County Commissioners, by issuing debt for redeveloping Brownfields. Cuyahoga County was one of the first and few existing counties in the country to issue bonds specifically for the cleanup and redevelopment of brownfield sites. The local foundations also provided \$200,000 in grants for site assessments. Local banks pledged additional funding, but it was determined during the process that the funding still did not work for brownfield sites where risk remained too high for most banks to participate in cleanup. The banks remain our partners by funding development on sites after the "No Further Action" letter is received.

The initial fund provided a subsidy based on the distress of a community, from 25% to 45%, on a total funding amount of \$1 million for non-profits and local communities who purchased Brownfield sites and worked to remediate them with a planned end use. Unlike funds provided by entities such as the USEPA and the State of Ohio, the county's fund could be used for assessment, remediation, acquisition and demolition on the site. Developers and local business owners who were not potential reliable parties (PRP's) could also apply for \$1 million in low interest loans, but were not eligible for the subsidy.

There were several successful projects funded from 1998 to 2001, however, as the economy faltered, the fund was used less because local communities did not have the funds to purchase sites or could not pledge repayment due to shrinking resources to operate their communities. Several other communities were unable to participate because their law departments still believed strongly that the purchase of contaminated land was too risky, despite the Voluntary Action Program.

The county reviewed the program and determined that most communities who participated in the program "flipped" the real estate. Many communities bought the brownfield property from the developer to make it eligible for funding and then transferred the property back to the developer. This served to increase legal costs of each project.

Another issue that became apparent was that many businesses were surrounded by vacant or underutilized industrial properties. When they needed to expand their business, they

looked to suburban areas due to the complexity and cost of adjacent properties. When they left, their sites often became new brownfields.

County staff reviewed these issues and developed new program parameters. Time was spent educating and advising the Board of County Commissioners and our other local partners and gathering support for new legislation changing the program. In May of 2004, the County added new program areas to the Brownfield Redevelopment Fund. The first area was to open the program to developers and business owners who are not PRP's. Instead of a subsidy applied upon completion of the clean-up, business owners and developers were offered "Forgivable Loans" at the same percentages as were available for local subsidies for municipalities and non-profits. A provision was also added to allow a forgivable loan up to \$500,000 for companies expanding onto an adjacent site that was a brownfield to pay for remediation, demolition and other environmental costs. While fifteen (15) projects had been approved between 1998 and 2004, six (6) new projects were approved after the new legislation was approved. (See Exhibit A) News traveled fast through the community and staff is currently working on another sixteen (16) projects. These projects exceed current fund balances by \$2.7 million. The need is great in the region.

From the experience of staff, we have developed an overall Brownfield Strategy for the County. (See Exhibit B) The county has determined that we need to follow three courses of action to be successful in Brownfield Remediation:

- Identify and Assess Sites

- Provide Funding for Remediation including subsidies and Forgivable Loans for projects with End Users
- Identify Key Brownfield Sites for Business Attraction and work with our partners to clean these speculative sites

The Board of County Commissioners approved \$1 million for the Local Assets for New Development Program (LAND) working with a local Economic Development organization, Team NEO, to determine how to rank applicants. Team NEO has also committed to marketing the sites and to work with the county in attracting other funds for the clean-up.

### **THE COUNTY'S PROCESS TO BUILD PROGRAM CAPACITY**

Cuyahoga County originally received a \$350,000 Pilot Program from the USEPA. The funds were awarded to County Planning Commission. While the Planning Commission was instrumental in identifying the issues surrounding brownfields in our region and in bringing the partners together to plan for the implementation, they had no experience in managing a revolving loan fund. In 2002, the County Department of Development, who has managed three (3) revolving loan programs under the HUD Community Development Block Grant programs for nearly 30 years, took over the funding and placed it in a Brownfield Remediation project. The cleanup was completed and the funds were repaid. Cuyahoga County just recently became the only community in the nation to revolve the funds, close-out a pilot program grant and transition the funds into a new revolving loan fund under the new rules.



What is essential under capacity is that the county took initial steps to insure success of their Brownfield Redevelopment Fund. In 1997, in expectation of creating the fund, the Board of County Commissioners hired a Development Finance Analyst with a strong finance background to join the Economic Development Division staff. The County also contracted with outside legal staff with an expertise in Environmental issues. This team was able to conduct the underwriting and the preparation of legal documents to adequately protect county dollars and yet be able to deliver funding to the community.

As foundation funding was depleted for site assessments, the County applied for a USEPA Site assessment grant in 2003 and was awarded \$200,000 for Hazardous Substances and \$200,000 for Petroleum. County staff worked to design a program application, review process and assemble the review committee. A second Development Finance Analyst was hired who had both a background in environmental studies and economic development. A Request for Qualifications was issued to select six (6) environmental consultants to complete the Phase I and Phase II site assessments. The program was fully implemented in November 2004. To date, the Board of County Commissioners has approved six (6) grant awards and another six (6) have been recommended by the Review Committee. Proposed end uses range from the recreation of a wetland to housing to manufacturing and the twelve projects represent nearly 70 acres of brownfields in the community. Another thirteen (13) projects are in the application phase. Currently the program is advertised throughout the county and demand is high. There is a great need in the community for this program. Many of the projects could not even be contemplated without these funds. (See Exhibit C)

In 2004, the County reached out to two development partners, the City of Cleveland and the First Suburbs Development Consortium, to create the North Coast Brownfield Coalition. The idea was to capitalize on the County's brownfield expertise to apply for USEPA Revolving Loan Funds and utilize the County's abilities to oversee projects and manage loan funds to bring more funding to the region. Although the Coalition did not receive Revolving Loan Funds, the county did seek and receive a Supplemental USEPA Revolving Loan Fund Grant. Three (3) projects have been identified to receive these and the transitioned RLF funds. The projects should be under contract by year end 2005.

The county also applied for a Brownfield Economic Development Initiative (BEDI) Grant and corresponding HUD 108 funding in 2004 for the Tinkers Creek Commerce Park Project. The total project cost is over \$30 million. The County is using \$1 million in County Brownfield Redevelopment Funds, \$850,000 in State of Ohio Infrastructure funds (a pass through from the Department of Transportation), \$2 million in HUD BEDI, \$4 million in HUD 108 funds, and \$110,000 from USEPA RLF Programmatic funds (for Pollution Legal Liability Insurance) to demolish, remediate and create new infrastructure for the proposed commerce park. An end user was identified who will begin construction in 2005.

## **RESULTS OF THE COUNTY'S BROWNFIELD PROGRAM**

The Cuyahoga County Brownfield Redevelopment Program has successfully provided funding to twenty-one (21) projects. While the Department of Development recognizes

that these sites reduce the risk to human health and the environment in every case, the program is viewed as an economic development tool for the region. As such, the County has measured the economic impact of the portfolio. The following statistics have been generated by the program:

- The County has leveraged \$14.36 for every \$1 expended under the program
- 1,436 jobs have been created
- With 7 projects completed, including 2 with partial tax abatement, the portfolio is currently generating \$562,000 in new property taxes annually(the county receives roughly 18% with the balance going to schools and local governments)(See Exhibit E)
- Estimating only a conservative 20% of total costs going for construction materials, new sales tax to the county (the county receives 1% of sales tax) generated from the projects is over \$330,000
- Using an average wage of \$30,000 per new job created, new income taxes are currently \$474,000 per year

The county's net expenditures to date (debt service due less principal and interest payments received) has been \$6.9 million. Based on this level of investment, the county has received a return of 10.7% from its share of property taxes and sales taxes. Compared to the same amount of funding for typical Economic Development Loans at an of \$35,000 per job, the return to the county is less than 5% based on interest paid, one time sales tax generation and the county's share of new taxes generated. The previous writedown of value on most brownfield properties leads to greater returns to the

community when the property is clean and value returns to the tax duplicate. This helps local communities and schools work towards balancing their budgets.

## **LESSONS LEARNED FOR A SUCCESSFUL BROWNFIELD PROGRAM**

The County Brownfield Redevelopment Fund has achieved great success. The program shows quantifiable economic returns to the community as well as health and safety benefits.

The program's success can be attributed to the following:

- Strong support from elected officials to streamline the process
- Financial support for staff and operating expenses (All staff are required to take the National Development Council Economic Development Finance Training to gain a good understanding of underwriting criteria to complement their environmental expertise-cost \$6,500 per person)
- Skills testing in the hiring process to seek candidates with a background in both environmental studies and finance
- Program flexibility to make changes as the brownfield market and economic conditions change in the region
- The ability to provide subsidies or forgivable loans to help reduce the costs to develop a brownfield versus a greenfield site
- Expert legal consultant available to staff as needed
- Strong partnerships with our funding agencies

- An excellent grant writing team created by linking the program with economic and community development staff who can provide expertise with demographic data, complicated proforma analysis and return on investment
- A team approach to reviewing projects and determining the best funding methods
- Technical support from the USEPA Region 5 Brownfield Team

### **FURTHER FEDERAL SUPPORT NEEDED**

Cuyahoga County staff fully support the current bill regarding Brownfield Tax Credits, as long as the credits are available for all brownfield sites and not limited to areas of poverty. Brownfields clearly impact the inner ring suburbs as well as the larger urban metropolitan areas. As previously proposed (only communities with at least 1 census tract with poverty in excess of 20%), only eight (8) of fifty-nine (59) communities in Cuyahoga County would be eligible. The tax credits would make more funds available for the sites which have been very difficult to remediate due to the high cost of the remediation. However tax credits are only part of the funding needed.

The county also believes there is a continued need for grant funds for brownfield projects. Simply said, a developer can make more money on a Greenfield project and will not take the extra time to receive a return on a Brownfield site unless there is an incentive. Developer's funds are tied up for a year or more during clean-up (the construction season in Northeast Ohio is short due to weather conditions) and many developers see this as a loss of opportunity to invest in other projects. More funds

need to be made available for both the USEPA Revolving Loan Fund and the HUD BEDI grants. Both have funded only a portion of applicants each year. The return on investment to the community indicates that investments in these government programs has a payoff to the local community, providing funds for education, local programming and creating jobs.

There is an obvious need for Administrative funds to be included in future grant funding. Clearly when only 17% of USEPA RLF funds are currently invested in projects, there is an implementation problem. While we support the creation of coalitions, there still remains an issue of communities being able to hire trained staff and to be able to provide ongoing training. The county currently is maintaining a successful program with 2.5 staff persons, funding a loan fund, site assessment grant program as well as administering USEPA Supplemental RLF funds and HUD BEDI and 108 grants. We would recommend some type of administrative funding for all brownfield programs to hire staff or consultants to complete projects.

We fully support a provision to increase the points assigned on all competitive grants (USEPA, HUD and any others) for capacity to specifically include numbers and dollar amounts of loans made, cleanups completed to VAP standards and end use projects completed on Brownfield sites; amount of staff dedicated to managing brownfield funds; creation of a coalition that pools resources; and also for local matching dollars. These factors are present in each and every successful program in the country.

Exhibit A: Cuyahoga County Brownfield Portfolio- Approved Projects

Exhibit B: Cuyahoga County Brownfield Strategy

Exhibit C: USEPA Site Assessment Projects Approved and In Process

Exhibit D: Cuyahoga County Brownfield Portfolio- Tax Analysis